

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: SEARSBORO TELEPHONE COMPANY AND KILLDUFF TELEPHONE COMPANY	DOCKET NOS. SPU-03-6 TF-03-132
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ORDER DOCKETING FOR FURTHER INVESTIGATION

(Issued May 28, 2003)

On April 29, 2003, Searsboro Telephone Company, Inc. (Searsboro Telephone), and Killduff Telephone Company (Killduff Telephone) filed with the Utilities Board (Board) a joint application for approval of discontinuance of service and a partial transfer of certificate pursuant to Iowa Code § 476.20(1) (2003). The filing was identified as Docket No. SPU-03-6.

Searsboro Telephone is a non-rate regulated independent telephone company that provides local exchange service to the Killduff and Searsboro, Iowa, exchanges. Currently, the Searsboro exchange has approximately 210 access lines; the Killduff exchange has approximately 190 access lines. Killduff Telephone is a recently formed Iowa corporation that intends to provide local exchange and exchange access services to the Killduff exchange. Killduff Telephone has not previously been certified to provide service in any state.

The applicants state that they have entered into an asset purchase agreement whereby Killduff Telephone will acquire the assets of Searsboro Telephone so that

Killduff Telephone may begin to provide service to the Killduff exchange. The joint application requests approval for the discontinuance of service for the Killduff exchange by Searsboro Telephone as well as the partial transfer to Killduff Telephone of that portion of Searsboro Telephone's certificate of public convenience and necessity which currently allows Searsboro Telephone to provide service to the Killduff exchange.

In support of this request, Killduff Telephone states that it will abide by all applicable statutes, orders, rules, and regulations adopted by the Board for local exchange carriers. Killduff Telephone also states it will adopt the previously approved dialing parity plan of Searsboro Telephone and will permit customers to obtain interLATA and intraLATA interexchange services from other carriers. Killduff Telephone states that it will effectively adopt the service area boundaries of the Killduff exchange and indicates it will serve all eligible customers in the exchange.

Killduff Telephone also filed a proposed tariff containing local exchange rates that match the current rates listed in the Searsboro Telephone tariff. Killduff Telephone asserts that it is well qualified managerially, technically, and financially to provide telecommunications service to the Killduff exchange.

The parties state that the public interest is served by the transfer through the efficient provision of high quality telecommunications services offered to rural customers, and that there will be direct benefits to the customers of the Killduff and Searsboro exchanges. The parties further state that the transaction will increase

operating efficiency and effectiveness by allowing Killduff and Searsboro to each focus on serving a single telephone exchange, rather than spreading limited personnel and management resources over two exchanges.

Iowa Code § 476.29(3) states that a certificate is transferable, subject to approval by the Board. Searsboro Telephone was issued a certificate of public convenience and necessity, Certificate No. 0116, on September 29, 1992, pursuant to Iowa Code § 476.29(12) (1992 Iowa Acts).

The Board has reviewed the parties' joint application and finds that it should be docketed for further investigation. The parties assert that the transfer of a portion of Searsboro Telephone's certificate to Killduff telephone will benefit the public interest, but neither party has explained exactly how consumers in the Searsboro and Killduff exchanges will benefit.

The parties also claim that the transaction will result in an increase in operating efficiency and effectiveness. However, this assertion appears to be inconsistent with the manner in which these companies are proposed to be managed. According to the joint application, the Sully Telephone Company (Sully Telephone) currently manages the day-to-day operations of both the Searsboro and Killduff exchanges, and Killduff Telephone intends to continue the arrangement. It is unclear from the application how the separation of these exchanges into two companies will increase the efficiency of service when one company will continue to

handle the day-to-day operations for both exchanges. Therefore, the Board will docket this filing for further investigation of the parties' request.

IT IS THEREFORE ORDERED:

The joint application for approval of discontinuance of service and a partial transfer of the certificate of public convenience and necessity, filed by Searsboro Telephone Company, Inc., and Killduff Telephone Company on April 29, 2003, identified as Docket No. SPU-03-6, is docketed for further investigation as described in this order. The parties shall submit a supplemental filing to the Board addressing the issues raised in this order on or before June 30, 2003.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 28th day of May, 2003.